

28 February 2020

Subject: Management Discussion & Analysis Yearly Ending 31 December 2019

To: Director and Manager
The Stock Exchange of Thailand

As TWZ Corporation Public Company Limited ("the Company") submitted the Company's financial statements and its subsidiaries for the year ended 31 December 2019 which was audited by a certified auditor. The Company would like to clarify the Company's operation and its subsidiaries compared with the same period of 2018 as follows.

Operating Results

In the year 2019, the Company and its subsidiaries had total revenue of Baht 3,788.81 million, which increased from Baht 3,480.20 million in the same period of the last year. It was equivalent to Baht 308.61 million or increased at the rate of 8.87% with the following details.

- Revenue from sales or services, the Company and its subsidiaries had revenue from sales and services in the year 2019 of Baht 3,692.68 million, increased from Baht 3,366.25 million in the same period of the last year. It was Baht 326.43 million or increased by 9.70% because in 2019 the Company sold mobile phones with the average selling price per device increased from the last year.
- Sales support income was Baht 39.90 million, which decreased from Baht 85.60 million in the same period last year. It was Baht 45.70 million or a decrease of 53.39% because the Company organized marketing activities to help accelerate the distribution of mobile phones and accessories. Therefore, we receive the sales support money from the distributor according to the promotions specified.
- Other incomes were Baht 56.23 million, which was 1.48% of total revenue. It increased from Baht 28.35 million in the same period last year which was Baht 27.88 million or an increase of 98.34% because the Company gained from the sale of investment in Gear Corporation Limited and also has other income from the gain from the fair value adjustment of classify assets from property development projects for rent under financial leases to investment properties, Gain from foreign exchange rates, Interest income from fixed deposits, and interest income under financial lease agreements.
- The cost of sales or cost of services was Baht 3,358.97 million, which increased from Baht 3,032.16 million in the same period last year. Because in the year 2019, the Company and its subsidiaries distribute products at the increased value from the previous year.
- The distribution cost was Baht 89.95 million, which decreased from Baht 92.09 million in the same period of the last year, with the Company's ratio of distribution cost to total revenue of 2.37% and 2.65% in the year 2019 and 2018 respectively.

- Administrative expenses were Baht 169.91 million, which decreased from Baht 173.02 million in the same period last year. It was Baht 3.11 million or a decrease of 1.80% because the Company and its subsidiaries can manage the expenses efficiently.
- Financial costs were Baht 112.73 million, which increased from Baht 111.11 million in the last year. It was Baht 1.62 million or an increase of 1.46% as a result of loans from normal operations of the Company.
- Income tax expenses for the year 2019 were Baht 15.50 million, which increase from Baht 12.88 million in the last year. It was Baht 2.62 million or an increase of 20.34% because of the operating results mentioned above.
- The net profit was Baht 46.00 million. The said net profit was deducted by the non-controlling interests of Baht 2.09 million. Therefore the Company had a net profit of Baht 43.91 million, which decreased from Baht 63.61 million in the same period last year. It was Baht 19.70 million because the Company and its subsidiaries have the operation result as mentioned above.

Financial status

The Company and its subsidiaries had total assets in 2019 of Baht 5,436.52 million, which increased from Baht 5,015.61 million in the last year. It was Baht 420.91 million or an increase of 8.39%. The Company's assets at the end of 2019 consist of current assets of 76.18% and non-current assets 23.82%. Details of important assets can be summarized as follows.

- The Company and its subsidiaries had trade and other current receivables of Baht 1,583.06 million, which increased from Baht 1,423.17 million in the last year by Baht 159.89 million or an increase of 11.23%. The Company's trade accounts receivable increased because the Company had sales and service income by giving more credit to customers. Other receivables for operations mainly consist of Advance payment for goods, other receivables, Accrued income, Advance payment for operations, and interest receivable.
- Inventories of the Company and its subsidiaries consisting of mobile phones and accessories including waste that is raw materials for electricity generation of subsidiaries. Inventories were Baht 1,606.88 million in the year 2019, which increased from Baht 1,523.81 million in the last year by Baht 83.07 million or 5.45% increase because of the increase in waste from raw materials for electricity production of subsidiaries of Baht 77.20 million. The inventories are following the Company's product management policy.
- The Company and its subsidiaries have real estate development projects for rent under financial lease in the year 2019 in the amount of Baht 21.08 million, which decreased from Baht 37.03 million in the last year. It was Baht 15.95 million or a decrease of 43.07% because the Company and its subsidiaries have transferred property development projects for rent under financial lease agreements to buildings for operation and investment property.

- Real estate development projects for sale in the year 2019 were Baht 447.61 million, which decreased from Baht 453.86 million in the last year. It was Baht 6.25 million or a decrease of 1.38% because the Company and its subsidiaries have written-off condominium units at The Paser Pattaya Project.
- The Company and its subsidiaries have investment properties that changed from property development projects for rent under financial lease agreements for short-term leases. In the year 2019, it was Baht 104.80 million, which increased from Baht 70.40 million in the previous year by Baht 34.40 million or 48.86% increase.
- For properties, plant, and equipment in the year 2019 was Baht 177.35 million, which decreased from Baht 274.24 million in the last year. It was Baht 96.89 million or a decrease of 35.33%. Other intangible assets in the year 2019 were Baht 450.33 million, which increased from Baht 89.80 million in the last year. It was Baht 360.53 million or an increase of 401.48%. And other non-current assets of the Company and its subsidiaries decreased from Baht 157.10 million in the year 2018 to Baht 18.46 million in the year 2019. It was Baht 138.64 million or a decrease of 88.25% because the Company sold the investment in Gear Corporation Limited and purchased the investment in Mitra Corporation Co., Ltd.

Liquidity

The Company and its subsidiaries have cash and cash equivalents as of 31 December 2019 in the amount of Baht 411.62 million, which decreased from the end of 2018 by Baht 30.96 million or decreased by 7.00% with details of sources and uses of cash as follows.

- Net cash received from operating activities is Baht 35.30 million, mainly from increases in trade and current receivables and trade, and other current payables.
- Net cash received from investing activities was Baht 57.69 million, mainly was cash received from sales of subsidiaries.
- Net cash used in financing activities was Baht 114.03 million, mainly was cash payment for loan repayment.

The Company's current ratio in the year 2018-2019 was 1.98 times and 1.78 times respectively. The Company has increased current assets in inventories and increased current liabilities both in trade accounts payable and other current payables.

Source of funds

As of the end of 2019, the Company had total liabilities of Baht 2,564.07 million, which increase by 10.34% from 2018. The increase in said liabilities mainly from an increase in trade and other current creditors, short-term loans, and deferred income tax liabilities. While the shareholders' equity of the Company was Baht 2,872.45 million, resulting in the debt to equity ratio is 0.89 times, it increased from 0.86 times in 2018.

Please be informed accordingly,

Yours Faithfully,

(Mr. Kittipong Kittipassorn)

Director